Corsair Exploration Inc.

1999 Annual Report

CORPORATE PROFILE - A NEW DIRECTION

Corsair reorganized in July 1999, appointed a new board of directors, installed a technically diverse, experienced management team and completed a private placement of equity raising $3,750,000. The Company's new purpose is to pursue an aggressive program of asset acquisitions and exploration and development drilling with a focus on natural gas.

During the second half of 1999, Corsair built a strong land base in Willesden Green, Pine Creek and Aitken Creek. The Company also recompleted five abandoned or suspended wells ending 1999 with production of 250 boed.

As of December 31, 1999 Corsair has maintained a strong balance sheet with in excess of $4.5 million capital available to fund our accelerating program.

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MAP LEGEND

☼ Gas Well • Oil Well o Potential Location ✧ D & A

A MESSAGE TO OUR SHAREHOLDERS

Fiscal year 1999 was a year of momentous change for Corsair. The Company refocused on oil and gas exploration, exploitation, acquisition and production. To facilitate the transition from mining to oil and gas a new Board of Directors was appointed in June 1999. In addition, to manage the Company's new direction, Corsair assembled a team of experienced, technically astute professionals with a proven track record of success.

The Company recapitalized by completing a private placement of 5,000,000 common shares at a price of $0.75 per share, raising $3,750,000. The private placement strengthened the balance sheet to approximately $8.1 million of working capital. Shares held by Management and Directors in the Company increased to 21% as a result of the financing.

To complete the corporate reorganization, the Company dividended to its shareholders of record on July 8, 1999, all of the issued shares of its subsidiary, Corsair Minerals Inc. (CMI). CMI held interests in the Red Lake (Ontario) and the Seboro and Gowa (Indonesia) gold projects.

The objective of the new Corsair is to grow shareholder value utilizing the following strategies.

- Acquire oil and gas assets, or a producing company with particular emphasis on opportunities that are weighted towards exploitation/development drilling.
- Generate exploration opportunities in west central, northern Alberta and northeast British Columbia which allows the Company to leverage in-house expertise. Preference is given to gas prone, multi-horizon play types.
- Emphasize growth in value, not maintenance of production volumes.
- Maintain a strong balance sheet.

It is our belief that significant reserves and production are still available to explorers in the under drilled Western Canadian Basin. The combination of our technically strong experienced management team, healthy balance sheet, high commodity prices, and the opportunities in the basin, gives our shareholders the potential to experience accelerated value growth in the near term.

During the first six months following re-organization the Company has acquired either an interest in, or options in more than 26,000 acres of mineral leases. The Company has participated in the drilling of one well and the recompletion of five suspended or abandoned wells resulting in production of 250 boed in January 2000. The Company will participate in the drilling of five wells in Q1 2000 and run a 9.5 sq mile 3D seismic program to identify additional drilling opportunities in a gas prone, multi zone area of west central Alberta on working interest mineral leases.

This early activity will provide the momentum for aggressive growth during the balance of the year. We will be aggressively pursuing investment opportunities, and the Company's outlook is bright.

Ray G Smith

Raymond G. Smith
Chairman, President & Chief Executive Officer
March 6, 2000

EXPLORATION

THE BASIN

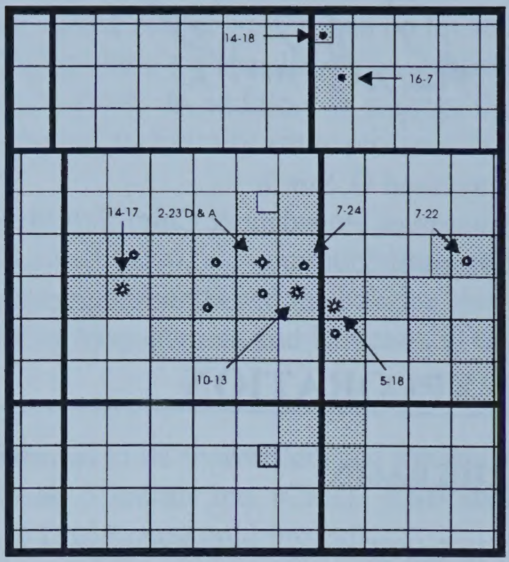
The key direction applied to exploration and development investment by Corsair Exploration Inc., has been to target superior reservoirs west of the Fifth and Sixth Meridians which offer better than average reserve additions and production potential. Corsair's growth strategy is focused on liquid rich gas prospects. Our intention is to accrete value through the drill bit. Within this overall strategy, we dedicated 43% of our start up capital to high impact plays, and in fiscal year 1999 we also placed emphasis on re-entries, exploiting by-passed liquids rich gas wells.

Corsair has 7,743 net acres of undeveloped land and 18,720 acres of land under option, with an excellent inventory of projects; we are well positioned to drill 9 to 13 wells in 2000 and re-enter two to four wells.

Our basic strategy remains in place: keep our success rate high, and assure steady growth. By dedicating a measured portion of the budget at high impact prospects, where Corsair operates, we provide the opportunity for accelerated growth. Fiscal year 2000 will see a deliberate shift to the drill bit on the high impact plays in our portfolio; a strategic adjustment made possible by the firm foundation of success achieved in 1999 through our re-entry program.

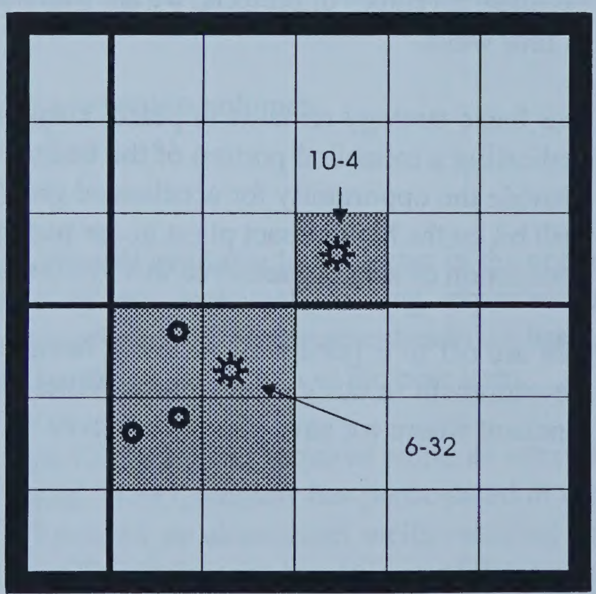
We are off to a good start in 2000, looking forward in particular to continued exploration and development in our gas projects at Willesden Green, Pine Creek and Leech, and an oil project at Enchant where we have already achieved a significant degree of success.

WILLESDEN GREEN



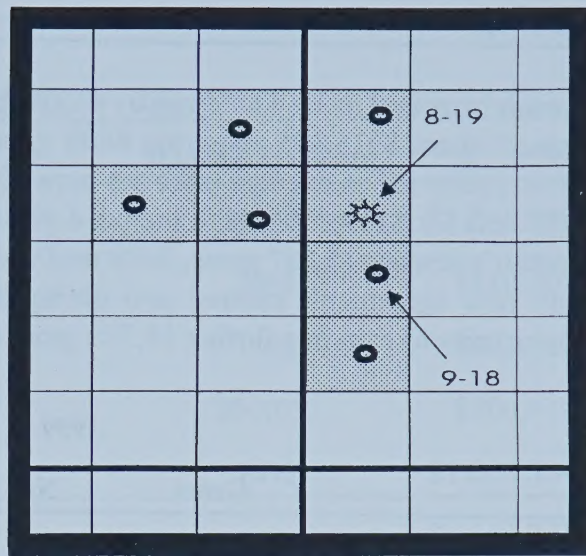
Willesden Green is a multi-zone, long life liquid rich gas, moderately deep, under drilled area in west central Alberta. Our Willesden Green acreage is 50% operated and has year round access. In fiscal year 1999 Corsair made a new pool gas discovery (Corsair 100% WI), through a re-entry completion, and followed up the discovery with a second development re-entry gas well (Corsair 100% WI). Corsair also re-entered a third well in 1999, exploring on a different formation trend, and discovered oil (CXI 100% WI). Corsair is pursuing a series of Mannville age sands with additional potential from the Belly River to the Elkton in this multi-zone area. Fiscal year 2000 will see the drilling of three to five wells and the possibility of two more re-entries in this emerging core area. Corsair recently entered into a strategic alliance in the Willesden Green area, decreasing our WI to 50% on an ongoing basis and greatly increasing our land position. Our exploration efforts are underpinned by 30 sections of land along the trend (average WI 50% BPO); strategically located adjacent to underutilized infrastructure. Our gas product is extremely liquid rich, yielding 80 bbl/mmcf of gas. Drill bit success at Willesden Green in 2000 could position the company for exponential growth.

PINE CREEK



Pine Creek is a multi-zone, long life liquid rich gas, moderately deep area with abundant underutilized gas plants. Pine Creek is operated, has year round access and is located in west central Alberta. In fiscal year 1999 Corsair made a new field wildcat discovery (Corsair 50% WI), through a re-entry completion and followed up the discovery with a second development re-entry gas well (Corsair 75%). Fiscal year 2000 will see a third re-entry and one new well drilled. This years activity will target the development of our discovery formation and the exploration of a new horizon. Corsair has five sections of land on trend with a 70% average WI. The Pine Creek property offers significant growth potential for Corsair in 2000.

LEECH



Leech is a multi-zone, liquid rich gas, medium depth area offsetting infrastructure and surplus plant capacity. Leech is non-operated and located in west central Alberta with some locations having year round access. In fiscal year 2000 Corsair will shoot a 9.5 sq mile 3D seismic program expecting to yield two to three drilling locations. Corsair is pursuing four separate formations in the Leech area, all of which have follow up potential on our acreage, with regional implications. Corsair has a 50% WI in seven sections of land at Leech. Drilling success on the Leech property this year could significantly enhance shareholder value.

HIGHWAY

Highway, located in north eastern British Columbia, is Corsair operated (100% WI) and has year round access. The area is prone to multi-zone, long life liquids rich gas, with abundant pipeline infrastructure. The acreage is in close proximity to the Aitken Creek gas storage and the Alliance pipeline hub. In fiscal year 2000 Corsair will drill one well to evaluate the property. With success, Highway has significant development potential, with regional implications and great exploration upside for Corsair. Corsair owns five contiguous gas spacing units on the play.

ENCHANT

Enchant is non-operated and Corsair has a 35% WI. The area is medium depth, with year round access, long life oil production, and is located in southern Alberta. Fiscal year 2000 will see the drilling of two to three wells and there are significant land opportunities in the immediate area. Enchant is a "bread and butter" type oil play that offers Corsair solid cash flow and sustainable growth.

OPERATIONS

In fiscal year 1999 Corsair recorded an operational success rate of 83%. The Company participated in five re-entries and one new drill. The average working interest was 87.5% in 1999. The average cost for the six operations was $315,000 per operation.

LAND

Corsair increased its land holdings by 4350% between fiscal year end 1998 and fiscal year end 1999. Corsair spent $915,195 acquiring 8000 gross acres (6400 net) at Alberta and British Columbia Crown sales for an average price per acre of $114.40. Corsair acquired a further 960 gross acres (640 net) for $119,050 which included proven reserves and re-entry wellbores. The balance of Corsair's acreage (5,287 gross, 3430 net) was earned by way of farmin agreements and combined with new agreements entered into during the first quarter of 2000, provides Corsair with the opportunity to earn in a further 18,720 gross acres within its core areas.

	1999			1998		
	Gross	**Net**	**AVG WI**	Gross	Net	Avg WI
Undeveloped Acres						
Alberta	**10,407**	**7,743**	**74.4%**	0	0	0%
Manitoba	**0**	**0**	**0%**	0	0	0%
	10,407	**7,743**	**74.4%**	0	0	0%
Developed Acres						
Alberta	**3,520**	**2,720**	**77.3%**	0	0	0%
Manitoba	**320**	**7.4**	**2.3%**	320	7.4	2.3%
	3,840	**2,727.4**	**71.0%**	320	7.4	2.3%
TOTAL	**14,247**	**10,470.4**	**73.5%**	320	7.4	2.3%

RESERVES

Corsair's recompletion and acquisition activity resulted in the following additions of reserves:

	Oil mbbl	Gas mmcf	Combined mboe
Proven Producing	213.1	2462	459.3
Proven Non-Producing	65.3	1109	176.2
Proven	278.4	3571	635.5
Probable (Unrisked)	232.0	4580	690.0
Total (Unrisked)	510.4	8151	1325.5
Probable (Risked 50%)	116.0	2290	345
Total (Risked)	394.4	5861	980.5

TAX POOLS

Tax Pools Available ($1000's)	Deduction Rate	1999
Canadian Exploration Expense	100%	$1,332,789
Canadian Development Expense	30%	$510,105
Canadian Oil & Gas Property Expense	10%	$963,517
Capital Cost Allowance	20-30%	$766,936
Foreign Exploration and Development Expense	10%	$1,038,384
		$4,611,731

ENVIRONMENTAL AND SAFETY POLICY

Corsair is implementing safety and environmental policies that are designed to successfully deal with the extensive regulations for the oil and gas industry. Our entire organization is committed to minimizing the effects of our activities on the environment and protecting our employees.

The Company has comprehensive insurance to cover risks of well blowouts and pollution. These are just a few of the controls and procedures that Corsair considers in its ongoing challenge to fulfill our commitment.

BUSINESS RISKS

The oil and gas industry is subject to uncertainties and risks including commodity prices, product market demand, exploration success, transportation interruptions, foreign exchange and interest rates, government regulation and taxes and environmental and safety concerns. Corsair strives to minimize these risks by proper management of these factors. We employ a highly qualified staff of professionals, maintain a strong and flexible financial position, maintain proactive environmental and safety operating procedures and focus on low cost reserve additions and cash flow optimization to sustain our growth. Extensive geological, geophysical, engineering, environmental and financial analysis are performed on drilling of new prospects and potential acquisitions.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Corsair Exploration Inc. were prepared by management in accordance with accounting principals generally accepted in Canada. Financial information presented throughout the Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity of the financial statements. Systems of internal control are designed and maintained by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial purposes. In preparation of financial statements, estimates are sometimes necessary when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Based on careful judgements, such estimates have been properly reflected in the accompanying consolidated financial statements.

The external auditors conduct an independent explanation of the financial statements in accordance with generally accepted auditing standards in order to express their opinion on the financial statements. Their examination includes a review and evaluation of the company's system of internal controls and such tests and procedures as considered necessary to provide reasonable assurance that the financial statements are presented fairly.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through its Audit Committee. This committee meets with management and the external auditors to satisfy itself that management responsibilities are properly discharged and to review the financial statements before that are presented to the Board of Directors for approval.

Ray G Smith

Raymond G. Smith
Chairman, President & Chief Executive Officer
March 6, 2000

GLEN E. KLASSEN

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AUDITOR'S REPORT

To the Shareholders of
Corsair Exploration Inc.

I have audited the consolidated balance sheets of Corsair Exploration Inc., as at December 31, 1999 and October 31, 1998 and the consolidated statements of loss and deficit, and cash flow for the periods then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and October 31, 1998 and the results of its operations and the changes in its financial position for the periods then ended in accordance with generally accepted accounting principles.

Glen Klassen

CHARTERED ACCOUNTANT

Calgary, Alberta
March 6, 2000

CORSAIR EXPLORATION INC.

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1999 AND OCTOBER 31, 1998

ASSETS

	1999 $	1998 $
CURRENT		
Cash and Term Deposits	6,183,651	4,291,698
Accounts Receivable	572,374	7,608
Deposits	-	107,441
Income Tax Recoverable	9,573	30,000
Market Securities, at market value	15,179	15,179
	6,780,777	4,451,926
FIXED		
Resource Properties (Note 3)	3,673,008	1
Mineral Properties (Notes 4, 9 and 11)	-	1,049,695
Office Equipment (Note 5)	30,030	10,144
	3,703,038	1,059,840
DEPOSITS	50,066	-
	10,533,881	5,511,766

LIABILITIES

	1999 $	1998 $
CURRENT		
Accounts Payable and Accrued Liabilities	2,286,779	50,184
PROVISION FOR SITE RESTORATION & ABANDONMENT (Note 6)	13,356	11,056

SHAREHOLDERS' EQUITY

	1999 $	1998 $
SHARE CAPITAL (Note 7)	10,440,189	6,547,889
DEFICIT	(2,206,443)	(1,097,363)
	8,233,746	5,450,526
	10,533,881	5,511,766

APPROVED BY THE BOARD:

(signed) Darold H. Parken, Director

(signed) Hank B. Swartout, Director

CORSAIR EXPLORATION INC.

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT FOURTEEN MONTHS ENDED DECEMBER 31, 1999 AND YEAR ENDED OCTOBER 31,1998

	1999 $	1998 $
REVENUE		
Oil and gas sales	361,488	8,349
Crown royalties	(86,088)	-
Other royalties	(40,310)	-
Alberta royalty tax credit	47,348	-
Interest income	246,276	133,831
	528,714	142,180
EXPENSES		
Oil and gas production	70,600	7,919
General and administrative	258,701	175,368
Loss (Gain) on currency translation	53,104	(46,487)
Depletion and amortization	77,735	851,438
	460,140	988,238
INCOME (LOSS) BEFORE FOLLOWING ITEMS:	68,574	(846,058)
DISCONTINUED OPERATIONS (Note 11)	(866,254)	188,152
GAIN ON SALE OF MARKETABLE SECURITIES	-	35,634
DIMUNITION IN VALUE OF MARKETABLE SECURITIES	-	(84,686)
WRITEDOWN OF MINERAL PROPERTIES (Notes 4 and 11)	-	(434,504)
NET LOSS FOR THE PERIOD	(797,680)	(1,141,462)
DIVIDENDS PAID	(311,400)	-
	(1,109,080)	(1,141,462)
(DEFICIT) RETAINED EARNINGS, BEGINNING OF PERIOD	(1,097,363)	44,099
DEFICIT, END OF PERIOD	(2,206,443)	(1,097,363)
LOSS PER SHARE	(0.10)	(0.18)
FULLY DILUTED LOSS PER SHARE	(0.10)	(0.18)

CORSAIR EXPLORATION INC.

CONSOLIDATED STATEMENTS OF CASH FLOW
FOURTEEN MONTHS ENDED DECEMBER 31, 1999 AND YEAR ENDED OCTOBER 31, 1998

ASSETS

	1999 $	1998 $
OPERATING ACTIVITIES		
Net loss for the period	(797,680)	(1,141,462)
Items not affecting cash -		
Discontinued operations (Note 11)	834,564	-
Depletion and amortization	77,735	851,438
Writedown of Mineral properties	-	434,504
Profit on sale of marketable securities	-	(35,634)
Dimunition in marketable securities	-	84,686
	114,619	193,532
Net change in non-cash working capital items related to operations	1,799,697	(71,273)
	1,914,316	122,259
FINANCIAL ACTIVITIES		
Issuance of share capital	3,892,300	1,400
Dividends paid	(311,400)	-
	3,580,900	1,400
INVESTING ACTIVITIES		
Acquisition of resource properties	(3,741,687)	(1,568)
Acquisition of minerals properties	(5,694)	(467,939)
Disposal of mineral properties	220,825	-
Acquisition of office equipment	(26,641)	(4,360)
Reclassification of deposits	(50,066)	-
Disposal of marketable securities	-	134,469
	(3,603,263)	(339,398)
CASH INFLOW (OUTFLOW)	1,891,953	(215,739)
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	4,291,698	4,507,437
CASH AND EQUIVALENTS, END OF PERIOD	6,183,651	4,291,698
CASH EQUIVALENTS ARE COMPOSED OF CASH AND TERM DEPOSITS		
CASH FLOW FROM OPERATIONS PER SHARE	0.01	0.03
FULLY DILUTED CASH FLOW FROM OPERATIONS PER SHARE	0.01	0.03

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of Corsair Exploration Inc. and its wholly-owned subsidiary, Moray Services Limited. The financial statements also include the accounts of Corsair Minerals Inc. and Corsair Equatorial Inc. until the date of their disposition on July 8, 1999.

Petroleum and natural gas properties

The Company follows the full cost method of accounting and petroleum and natural gas properties whereby all costs of exploring for and developing reserves are capitalized on a country-by-country cost centre basis. Proceeds on disposal of properties are deducted from such costs without recognition of gain or loss except where such a disposal represents a major disposition of reserves. Upon determination that proved reserves are attributable to a cost centre, depletion and amortization of the related petroleum and natural gas property costs is computed by the unit-of-production method based upon total proved reserves before royalties in each cost centre. Natural gas reserves and production are converted into equivalent barrels of oil based upon industry standard 10:1 ratio. Future site restoration and abandonment costs are also recognized by the unit-of-production method.

The net carrying cost of the Company's oil and gas properties in each cost centre is limited to an estimated recoverable amount being the aggregate of future net revenues, which is after royalties, from proven reserves and the cost of undeveloped properties, net of impairment allowances. The total net carrying costs in all cost centres are further limited by the above estimated recoverable amount less future general and administrative costs, financing costs, site restoration and abandonment costs and income taxes. Future net revenues have been calculated using the average prices and costs in effect for the year preceding the Company's period end without escalation and discontinuing.

Measurement uncertainty

The amounts recorded for depletion and amortization of oil and gas properties and the provision for site restoration and abandonment costs are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effects of changes in such estimates on the financial statements of future periods could be significant.

Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provision of the Income Tax Act (Canada). The Act provides that, where the share issuance proceeds are used for exploration and development costs, the related income tax deductions may be renounced to subscriber. Accordingly, these expenditures provide no income tax deduction to the Company. Petroleum and natural gas properties and mineral properties are not reduced by the estimated cost of the renounced tax deductions when the expenditures are incurred.

Fixed assets

Office equipment is recorded at cost. Amortization is calculated at 30% on a declining balance basis. In year of the acquisition the amortization is calculated at 15%.

Joint ventures

The Company conducts some of its petroleum and natural gas activities on a joint venture basis. These financial statements reflect the Company's proportionate interest in such ventures.

Income taxes

Income taxes are accounted for using the deferred method of income tax allocation. Under this method, the income tax provision is based on accounting income computed at current rates without subsequent adjustment to reflect changes in income taxes.

Foreign currency translation

The Corporation's foreign currency transactions are translated into Canadian dollars as follows:

i) monetary assets, monetary liabilities at the period-end exchange rates.
ii) non-monetary assets at the exchange prevailing at the date of the transaction.
iii) revenue and expenses at the average rate of exchange during the period, except for amortization which is on the same basis as the related assets.

Gain or losses on translation are credited or charged to operations.

Loss and cash flow from operations per share

Basic loss per share is based on the weighted average number of common shares outstanding during the year. Fully diluted loss per share is based on the weighted average number of shares that would have been issued and outstanding if all share options were exercised.

2. NATURE OF OPERATIONS

The Company directly and through joint-ventures, is in the process of exploring and developing the petroleum and natural gas properties.

3. RESOURCE PROPERTIES

	1999 $	1998 $
COSTS		
Petroleum and natural gas properties	5,926,075	3,049,237
Production equipment	833,659	77,337
General and administrative	202,861	94,334
	6,962,595	3,220,908
Less: accumulated depletion and amortization	(3,289,587)	(3,220,907)
	3,673,008	1

During the period $108,527 (1998 - Nil) general and administrative expenses were capitalized.

4. MINERAL PROPERTIES

The Company has disposed or written down mining properties as follows:

	1999 $	1998 $
Indonesia	-	828,870
Ontario	-	220,825
	-	1,049,695

5. OFFICE EQUIPMENT

	1999 $	1998 $
Cost	52,612	25,971
Less: accumulated amortization	(22,582)	(15,827)
	30,030	10,144

During the period a total of $6,755 (1998 - $ 3,413) in amortization of office equipment has been claimed and charged in the accounts as a part of Depletion and Amortization Expenses.

6. PROVISION FOR SITE RESTORATION AND ABANDONMENT

A total of $167,000 has been estimated to be incurred in the future, of this amount $13,356 (1998 - $11,056) has been recognized to date. $2,300 (1998 - $2,000) has been charged in the accounts as part of depletion and amortization expenses.

7. SHARE CAPITAL

Authorized:

Unlimited number of voting common shares of no par value
Unlimited number of non-voting first preferred shares of no par value
Unlimited number of non-voting second preferred shares of no par value

Changes in the issued common shares during the period are as follows:

	1999		**1998**	
	Number of Shares	**Consideration $**	**Number of Shares**	**Consideration $**
Balance, beginning of the period	6,227,986	6,547,889	6,225,986	6,546,489
Shares issued for cash pursuant to private placement	5,000,000	3,750,000	-	-
Shares issued for cash pursuant to the exercise of a warrant	200,000	150,000	-	-
Shares issued for mineral properties	-	-	2,000	1400
Less: Issue costs	-	(7,700)	-	-
	11,427,986	10,440,189	6,227,986	6,547,889

Stock options have been granted for a total 920,000 common shares as follows:

Date of Expiry	Non Director and Non Officer	Directors and Officers	Exercise Price
June 24, 2004		550,000	$0.75
August 25, 2004	100,000	265,000	$1.30
October 17, 2004	5,000		$1.65
	105,000	815,000	

8. INCOME TAXES

Total income taxes are different than the amount computed by applying the combined expected Canadian Federal and Provincial tax rates of 45% to income before income taxes. The reasons for these differences are as follows:

	1999 **$**	**1998** **$**
Computed expected tax (recovery) provision	(358,956)	(513,658)
Increase (decrease) in taxes resulting from:		
Non-deductible crown payments, net of Alberta royalty tax credits resource allowance	18,708	-
Non-deductible depletion and amortization	34,980	383,147
Share issue costs deducted for tax purposes	(16,507)	(15,815)
Other	50,469	(91,435)
Excess tax deductions applied to loss carryforward	70,610	68,152
Non-deductible dimunition in value of marketable securities	-	38,109
Resources deduction for tax purposes	(174,857)	(64,027)
Non-deductible writedown of mineral properties	375,553	195,527
Actual income tax provision	-	-

The Company has transferred income tax deductions to investors under flow-through share financing arrangements and accordingly $1,001,200 of recorded costs are not deductible for income tax purposes. The Company has non capital losses carried forward as follows:

Expiry Date	
December 31, 2004	$ 99,336
December 31, 2005	$209,023
	$308,359

The Company's fixed assets for income tax purposes are $908,693 greater than the fixed assets for accounting purposes.

9. RELATED PARTIES

a. On July 8, 1999 the Company declared a dividend of $311,400. The dividend was in the form of 2,075,099 shares of Corsair Mineral Inc. ("Minerals"). This represented 100% of its holdings in Minerals. Mineral's underlying assets included $220,824 of mineral properties and 100% of the shares of Corsair Equatorial Inc., valued at $90,576. The dividend results in a non-substantive ownership change, as the Company and Minerals had the same shareholders in common at the time the dividend was paid. The measurement basis is the Company's carrying values of the assets that were transferred. The Company and Minerals also share a director in common.

b. A law firm in which an officer and director of the Company is principal, billed the Company $25,200 (1998 - $1,295) in legal fees during the period. Of this amount, $Nil is included in accounts payable (1998 - $Nil) A corporation in which a former director and an officer of the Company was principal billed the Company $11,160 (1998 - $21,000) for accounting fees. Of this amount, $Nil is included in accounts payable (1998 - $3,200)

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and term deposits, deposits, accounts receivable, marketable securities and accounts payable and accrued liabilities. The fair value of the financial instruments approximate their carrying values unless otherwise noted.

The financial risk to the Company's earnings that arises from fluctuation in interest rates and foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to interest and foreign currency assets denominated in US dollar currency. The Company has a total of $680,855 in currency assets denominated in US dollar currency.

11. DISCONTINUED OPERATIONS

The Company disposed of Corsair Minerals Inc. and Corsair Equatorial Inc., both wholly-owned subsidiaries on July 8, 1999. The revenue of the discontinued operations was $32,077 in interest income until date of disposition. No income taxes were incurred in the disposition and there are no remaining assets or liabilities remaining in the Company's accounts with respect to the discontinued operations. The loss from discontinued operations includes an $834,564 writedown of mineral properties that were abandoned.

12. UNCERTAINTY DUE TO YEAR 2000 ISSUES

The Year 2000 Issue arose because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not responsible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

13. <u>COMPARATIVE FIGURES</u>

Certain prior year's figures have been restated to conform to the current year's financial statement presentation.

NOTES

CORPORATE INFORMATION

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Hank Swartout, P.Eng.
Chairman & Chief Executive Officer
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Darold Parken, BA (Econ) LLB
Corporate Counsel
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OFFICERS

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Chairman, President & Chief Executive Officer

Philip E. Collins, P.Geol
Vice President, Exploration

J.E. (Ted) Lefebvre, P.Land
Vice President, Land & Contracts

Jan M. Campbell
Corporate Secretary

STOCK EXCHANGE LISTING

The Canadian Venture Exchange
Trading Symbol: "CXI"

Corsair

Exploration Inc.